

Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 STRE-00 IO-13 AGR-01 CEA-01 CIAE-00

COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05

SS-15 STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02

OMB-01 DOE-15 DOTE-00 /129 W

-----121233 071534Z /46

R 071437Z AUG 78

FM AMEMBASSY MEXICO

TO SECSTATE WASHDC 1868

C O N F I D E N T I A L SECTION 01 OF 02 MEXICO 12774

DEPT PASS STR

EO 11652: GDS

TAGS: ETRD, MX

SUBJECT: COMMENTS BY HECTOR HERNANDEZ

1. ADDRESSING THE ANNUAL MEETING OF THE U.S.-MEXICO CHAMBER OF COMMERCE LIC. HECTOR HERNANDEZ (SUBSECRETARIO DE COMERCIO EXTERIOR) BEGAN BY THROWING HIS PREPARED TEXT ASIDE. HE SHOWED THE TYPED PAGES TO THE AUDIENCE AND SAID "I REALLY DID MY HOMEWORK, BUT I'D RATHER TALK WITH YOU ABOUT SOME CURRENT PROBLEMS WHICH ARE TROUBLING MEXICO." FROM HERE ON HE WAS IN GOOD PROFESSIONAL FORM AND LECTURED A SOMEWHAT LESS THAN FULLY COMPREHENDING AUDIENCE.

2. THE FIRST PORTION OF HIS IMPROMPTU TEACH-IN HAD TO DO WITH THE CURRENT PROBLEMS (I.E. DEVALUATION) OF THE U.S. DOLLAR, AND THE IMPACT THIS WAS HAVING ON MEXICO. PRINCIPALLY HE WAS CONCERNED WITH THE INDUCED INFLATIONARY PRESSURES THRUST ON MEXICO BY THE DECLINE OF VALUE IN THE DOLLAR. HE DID ACKNOWLEDGE THAT, TO SOME EXTENT, MEXICAN EXPORTS WERE MADE MORE COMPETITIVE

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BY THE LINKED DEVALUATION.

3. NEXT HERNANDEZ TURNED TO THE CURRENT NEGOTIATIONS IN THE MTN. HERE HE BEGAN BY DRAWING FROM TOKYO ROUND DOCUMENTS, HIGHLIGHTING PROVISIONS FOR S&D TREATMENT FOR THE LDC'S. HE OBSERVED THAT LITTLE OF THIS WAS EVIDENT IN THE CURRENT MTN. HE MENTIONED THAT S&D

TREATMENT DID APPEAR IN THE RECENT SUMMIT DECLARATIONS, BUT THAT AT A LEVEL LOWER THAN THE PRINCIPALS IN THIS EXERCISE IT HAD NOT PROSPERED.

4. IN A JIBE AT THE CURRENT MTN NEGOTIATIONS HE REMARKED THAT WHAT HAD BASICALLY TAKEN PLACE WAS A NEGOTIATION BETWEEN THE EC, THE U.S., AND JAPAN. FOR THIS, AMONG OTHER REASONS, MEXICO WOULD HOLD BACK UNTIL IT COULD EXAMINE THE STRUCTURE WHICH EMERGED, AND IN PARTICULAR INSPECT THE VARIOUS CODES.

5. READING FROM A CLIPPING TAKEN FROM THE ECONOMIST, HERNANDEZ ILLUSTRATED HIS VIEW OF CURRENT PROTECTIONIST TENDENCIES BY THE DEVELOPED COUNTRIES BY HIGHLIGHTING THE STEEL NEGOTIATIONS IN THE OECD. HE ALLUDED TO A CARTELIZATION SYNDROME NOW BECOMING OPERATIVE IN WORLD TRADE. SLIDING FROM THE ALLEGED CARTELIZATION OF WORLD TRADE, HE MENTIONED TEXTILES, QUOTAS, AND THE FACT THAT MEXICO HAD NOT BEEN ABLE TO RATIFY THE MULTI-FIBER AGREEMENT.

6. IN DISCUSSING THE U.S. GENERALIZED SYSTEM OF PREFERENCES, HERNANDEZ ACKNOWLEDGED THAT MEXICO HAD INDEED BENEFITED FROM ITS PROVISIONS. HOWEVER, HE DID FEEL THAT IT COULD BE GREATLY IMPROVED SIMPLY BY MAKING SOME (UNSPECIFIED) "ADMINISTRATIVE CHANGES".
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7. THIS LED HERNANDEZ INTO A DISCUSSION OF THE PROBLEMS FACED BY MEXICO IN EXPORTING RAILROAD CARS TO THE U.S. HE NOTED THAT THESE CARS, NEEDED BY THE U.S., SOME TO BE USED IN TRANSPORTING GRAIN EXPORTED TO MEXICO, HAD BEEN SUBJECTED TO A 18 PERCENT TARIFF BECAUSE OF MEXICO EXCEEDING THE 50 PERCENT COMPETITIVE NEED LIMITATION. HE DID ACKNOWLEDGE THAT RECENTLY LEGISLATION HAD BEEN INTRODUCED IN THE U.S. WHICH MIGHT ALLEVIATE THE SITUATION.

8. HERNANDEZ MENTIONED THE JOINT CONSULTATIVE AGREEMENT AND SPOKE WELL OF THE ECONOMIC SUB-COMMITTEE. HE POINTED OUT THAT A NUMBER OF MUTUALLY SATISFACTORY SOLUTIONS HAD BEEN ARRIVED AT THROUGH THIS DEVICE.

9. IN CLOSING HIS TALK, HERNANDEZ OBSERVED THAT THE QUALITY OF PERSEVERANCE WAS A CRITICAL ELEMENT IN U.S.-MEXICO RELATIONS. BECAUSE OF THE MUTUAL INTERDEPENDENCE OF THE TWO ECONOMIES IT WAS IMPORTANT THAT A SENSE OF "PERSEVERING" FOR THE LONG-PULL BE ACQUIRED AND APPLIED IN ORDER TO CARRY BUSINESS AND COMMERCIAL TRANSACTIONS

TO FRUITION.

10. COMMENT: THE THEME INTERWOVEN THROUGHOUT HERNANDEZ'S PRESENTATION WAS THAT MEXICAN POLICY, PARTICULARLY IN THE FOREIGN TRADE AREA, WOULD BE PRO-MEXICO. HOWEVER, BECAUSE OF THE IMPORTANCE OF THE U.S. ECONOMY TO MEXICO AND VICE-VERSA, MEXICAN ACTIONS WOULD TAKE INTO ACCOUNT U.S. SENSITIVITIES. THIS, HOWEVER, WOULD NOT PRECLUDE A VERY SEARCHING EXAMINATION OF WHETHER ACTIONS SUCH AS JOINING THE GATT WOULD BE PRIMARILY TO MEXICO'S NEAR-TERM BENEFIT. BLUNTLY, NO TEXT-BOOK "PIE-IN-THE-SKY-BY-AND-BYE", EVEN FOR A FREE AND OPEN WORLD TRADING

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C O N F I D E N T I A L SECTION 02 OF 02 MEXICO 12774

DEPT PASS STR

SYSTEM. FOR A PEOPLE THAT HAVE COINED SUCH DELIGHTS AS "IN GOD WE TRUST, ALL OTHERS PAY CASH" WE SHOULDN'T HAVE TOO MUCH DIFFICULTY UNDERSTANDING HERNANDEZ'S WELTANSCHAUUNG. WORKING WITH IT TO OPTIMIZE U.S. INTERESTS, OF COURSE, WILL BE ANOTHER STORY. LUCEY

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Type: TE
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